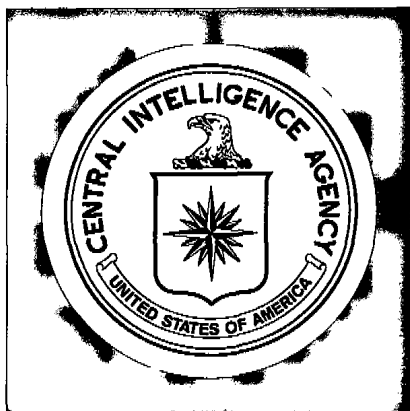


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ARAB STATES - ISRAEL: The cease-fire is being honored on both fronts, but talk of the resumption of hostilities is being heard on each side.

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Egyptian Foreign Minister Fahmi informed the US and the UN yesterday that Cairo has agreed to allow US military aircraft to overfly and land in Egypt in connection with UN Emergency Force (UNEF) operations.

Some observers believe that Egyptian efforts are now directed more toward bolstering Cairo's military position than reinforcing the cease-fire

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The UN Security Council last night authorized troops from Canada, Poland, Panama, Nepal, Ghana, Peru, and Indonesia to join the UN Middle East peacekeeping force. The Canadian and Polish contribution will consist of logistic units only. Agreement by the Council on this compromise broke the stalemate over whether to allow Warsaw Pact and NATO members to participate in the UNEF.

Elsewhere on the diplomatic front, President Sadat executed some quick summitry earlier this week in a whirlwind trip to Kuwait, where he conferred with President Asad and Kuwait's Shaykh Sabah, after which he flew to Riyadh for a meeting with King Faysal. The results of Foreign Minister Fahmi's talks in Washington and coordination of plans for next week's discussions with Secretary Kissinger were the main items on the agenda. Upon his return, Sadat also met with Algerian President Boumediene. Details on the meeting have not been released, but the Algerian leader--unhappy with Egypt's acceptance of the cease-fire--may have tried to persuade Sadat to take a hard position on Israeli withdrawal, and perhaps even to renew hostilities.

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According to an article from Beirut's An-Nahar published earlier this week, various Palestinian circles have suggested that one of the following proposals on representation be adopted:

--a provisional Palestinian government be formed to represent the Palestinian people;

--a high-level delegation from the Palestinian Liberation Organization (PLO) represent the body of Palestinian people; or

--the PLO appoint independent Palestinian figures to attend the conference.

The press account goes on to say that the entire issue of participation at the conference will be studied at an extraordinary session of the Palestinian National Council to be held soon, perhaps in Cairo.

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WESTERN EUROPE - MIDDLE EAST: Intra-European rivalries and the uneven effects of the Arab oil cutbacks make prospects seem poor for early and concerted action by the Europeans to deal with the oil crisis. Tensions between effectively embargoed states and those with more ample supplies may, in fact, increase. There are signs of growing pressures from some quarters for a united response, which may provoke a serious confrontation within the EC.

The oil problem will be on the agenda of an EC Council meeting on 5-6 November, and Middle East political developments will also be taken up at a separate ad hoc session of the foreign ministers "on the margins" of their Council meeting. The Dutch--singled out for an Arab oil boycott--have requested joint community measures, including EC sharing of oil supplies, and are ready to hold other areas of community policy-making hostage to positive action on oil. The EC Commission, however, has so far only been able to agree to propose a community system of export licensing for petroleum products--which could allow The Hague to limit such exports to other EC members as an emergency step. More far-reaching measures are viewed warily by several of the Netherlands' partners who fear that sharing arrangements could bring down Arab wrath on them.

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Hasty EC action thus seems unlikely and a common stand is also doubtful at a scheduled Council session on energy policy on 21 November. Concern is nevertheless mounting about the possible consequences of a prolonged cutback in oil supplies, and community members may find it increasingly difficult to square their professions of the need for European solidarity--given prominence most recently by President Pompidou's call for a summit of the Nine--with reluctance to act on a concrete problem. Belgium's temptation, for example, to distance itself from the Dutch in dealing bilaterally with Arab suppliers will be countered by Belgian concern over maintaining its Benelux and EC links, as well as its dependence on the Rotterdam-Antwerp pipeline and Dutch natural gas. The Dutch economics minister, in fact, suggested in parliament this week that The Hague might transfer natural gas in return for oil.

The British are unenthusiastic about the Dutch request for EC oil sharing, but there are some within the government who would go along with the demand. Prime Minister Heath, in an interview published yesterday, called for a common EC energy policy, but excluded future North Sea oil from an EC oil-sharing arrangement. The US Embassy believes that Heath will ultimately stick by EC commitments and support a determined Dutch request. Amid growing anxiety in West Germany over the Arab oil threat, including a new Libyan warning of a possible oil cut-off, a government spokesman yesterday said Bonn assumes that the oil crisis "will be met with an all-European action" at next week's community meetings.

Oil sharing is also on the agenda of the OECD Oil Committee's High Level Group session on 19 November. Despite a consensus of Oil Committee members

last week that their economies would be seriously threatened should the supply shortfalls continue for more than a brief period, there was evident fear of the potential reaction of the Arabs to some formal action such as reactivating the OECD's oil-industry advisory body. The OECD secretary general is, nevertheless, asking the members to consider whether the meeting of the High-Level Group should not be held earlier. The US attitude toward participation in oil-sharing schemes may be a decisive influence on European efforts within both the community and the OECD. NATO, meanwhile, is preparing for a possible study of the economic and financial consequences for the alliance of Arab use of the "oil weapon."

On the EC political front, the nine foreign ministers may attempt to frame another common declaration on a Middle East peace settlement at their meeting next week. According to an Italian Foreign Ministry source, however, events in the Middle East are outpacing the EC consultations and are likely to render outmoded anything the Nine have to say. An existing draft declaration generally endorses Security Council resolutions and emphasizes that any negotiations must take place within the UN framework. The Italians would also like the Nine to take up contributions they might eventually make toward juridical and military guarantees in the region, as well as toward economic assistance to the war-ravaged areas. Any new declaration is likely to be bland, however, because of continuing differences among the Nine over how their interests would be affected by a forthright stand. The French and British also have a lingering belief in the efficacy of their own diplomacy. Heath, for example, while approving a "European role" in the search for a Middle East settlement, told an interviewer yesterday that this may still be a matter for "private" diplomacy rather than "public initiatives." Whatever comes out of next week's foreign ministers' session, the fact that Paris has apparently agreed to hold these political consultations in the same locale as the formal EC Council session

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represents a concession from the normal French insistence that community matters be rigidly separated from "politics."

Pompidou's call earlier this week for a summit reflects the urgency of a European response to the Middle East situation, but may also have the effect of deferring concrete proposals until the heads of government can meet. The Danish Prime Minister has now invited the Nine to meet in Copenhagen on 15-16 December.

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CANADA-OIL: Ottawa is acting to avert an interruption of crude oil imports from the Persian Gulf.

Canada probably will agree to Abu Dhabi's demands for a written agreement that crude oil off-loaded at Portland, Maine for pipeline transshipment to Montreal not be diverted for US consumption. Abu Dhabi had refused to allow one Portland-bound tanker to sail, claiming it would violate the country's embargo on crude oil exports to the US. Abu Dhabi supplies Canada with about 61,000 barrels of crude oil per day, equal to nearly 7 percent of Canada's total crude imports.

Ottawa also is concerned about reports of similar embargoes on Portland-bound shipments by Saudi Arabia (which supplies about 7 percent of total imports) and Kuwait (less than 1 percent). Canadian diplomats intend to meet with officials of both countries and probably will try to negotiate an arrangement similar to that with Abu Dhabi.

Quebec and the Atlantic provinces in eastern Canada are totally dependent on crude oil imports to meet their demands. Persian Gulf producers supply 22 percent of Canada's total crude oil imports, Venezuela 45 percent, Iran 18 percent, Nigeria 7 percent, and other suppliers the remaining 8 percent.

* * *

Canada has raised the export tax on crude oil from 40 cents to \$1.90 per barrel. The tax, designed to keep the price of Canadian oil in line with world prices, will become effective in December. The \$1.50 increase, the 40 cent tax imposed last month, and four earlier increases in the posted price will raise US prices for Canadian crude by \$2.85 per barrel above the level at the beginning of 1973.

The US currently imports almost 1.2 million barrels per day from Canada or 33 percent of US crude oil imports. The export tax added to a 40 cent per barrel Edmonton-to-Chicago transportation charge will bring the average US price for Alberta crude to \$5.85 per barrel.

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NATIONALIST CHINA - SOUTH KOREA: Taipei and Seoul are planning measures to ensure oil supplies in the face of Arab oil cutbacks. Over 90 percent of both countries' oil now comes from Arab countries, and supplies are handled by the major Western oil companies. It is still not clear how the Arab oil cutbacks will affect Taiwan and South Korea, but both are seeking to increase the amount of oil obtained directly from producer countries, thereby reducing their dependence on the major oil companies. Taipei may attempt to increase the amount it purchases directly from Middle East producers, although it also hopes to increase imports of crude from other regions. Seoul is considering setting up a state-owned company to invest in oil-producing nations, probably on a global basis. Both countries also plan to expand domestic oil storage facilities to boost reserve capacity, and to reduce oil consumption by using more coal and limiting motor vehicle use.

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BANGLADESH: The government's inability to maintain domestic security and to correct political and economic abuses has generated growing opposition to Prime Minister Mujibur Rahman.

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Opposition groups have been increasing in number and membership for some time as the government struggles with inefficiency, corruption, and nepotism. They are not only publicly criticizing Mujib, who until recently has been immune to attacks, but are openly demanding his overthrow.

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Lawlessness, especially in rural areas, now rivals high prices and shortages of essential goods as a major concern of both the government and the populace. Recent successful attacks on over 20 police posts by armed groups seeking arms and ammunition add a disturbing new element. Although there has been a relatively high level of crime and violence since independence, these attacks appear to be the work of politically motivated groups rather than common criminals.

Mujib has responded by tightening security and by moving directly against his opponents through

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denunciations, arrests, and, occasionally, physical attacks by his paramilitary elements. Additionally, last month, the parliament, which is overwhelmingly controlled by his party, passed a constitutional amendment that provides for emergency powers and preventive detention, thereby giving Mujib additional options for dealing with lawless elements and regime opponents. [REDACTED]

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FOR THE RECORD*

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France: The head of the French Navy has announced publicly that France probably will construct a sixth nuclear-powered ballistic missile submarine. Construction of this submarine could begin in early 1976, and it could be operational sometime in 1978.

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Chile: Curfew restrictions in Santiago have been tightened this weekend, probably on the assumption that leftists will attempt to stage violent disturbances in commemoration of the late president Allende's inauguration on 4 November 1970. (C)

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